

ARTICLE APPENDED  
PAGE 431

WASHINGTON POST  
27 November 1986

## THE REAGAN ADMINISTRATION'S SECRET ARMS DEAL

# Israel Denies Meese Claim That It Handled Money From Iran Arms Sales

By Glenn Frankel  
Washington Post Foreign Service

JERUSALEM, Nov. 26—The Israeli government, fearing it is being sucked into the controversy over secret American arms sales to Iran, today vehemently denied any financial role in the shipments and suggested that a politically wounded and confused Reagan administration had blundered by distorting Israeli involvement in the affair.

A combative Foreign Minister Shimon Peres, who was prime minister when the shipments were initiated, insisted to the Knesset that Israel had only played the part of unwitting conduit and knew nothing of the estimated \$10 to \$30 million profits from the sales that Attorney General Edwin Meese III said ended up in Swiss bank accounts of the Nicaraguan rebels, known as the contras.

"Israel didn't earn one red cent from this," Peres shouted at opposition lawmakers who persistently interrupted and heckled his remarks. "This is not an Israel operation, this is a matter for the United States, not for Israel. Our purpose was to help a friendly country save lives. Israel was asked to help and it did."

Peres branded charges that Israel had funneled money to the contras "absolute nonsense—the money never passed through Israel. We had no connection to it whatsoever . . . We did not sell arms. We received arms and we delivered arms."

While Peres was careful not to attack Washington publicly, another senior Israeli official blamed Meese's charge yesterday that Israeli representatives had passed the money to the contras on "the large disarray in the White House." The official, who asked not to be named, said "some people there may be trying to divert attention from what's really going on to someone else and Israel was put in the eye of the storm."

The official noted that "Meese came out with an unfinished inquiry without even talking to us. Our part in this whole story is marginal and we are not the problem. The real problem is in an administration that doesn't seem to know what its own people were doing."

The official said he believed Israel had averted a political uproar following Meese's press conference by issuing a quick statement early this morning confirming its involvement in shipping arms to Iran at the behest of the White House but denying any role in funneling a portion of the Iranian payments to the contras.

But other officials involved in assessing and limiting the political damage done by Meese's disclosure were less sanguine. They said the alleged contra connection

had opened up an entire new area of controversy that could anger Congress and jeopardize Israel's position as the foremost strategic ally of the United States in the Middle East.

"My concern is not so much with Israel's standing with the administration but with Congress," said yet another senior official.

"There are two major ideological issues right now in American foreign affairs—arms control and Central America—and if somebody wrongly gets the impression that Israel helped the administration circumvent Congress, that can cause a lot of long-term damage for us," he added. "We're saying we didn't know anything about the contras and the money, so now the onus is on the other side to prove we did."

The official said his government was also concerned about the prospect of having two separate U.S. investigations, one by the Justice Department, the other by the Democrat-controlled Congress, delving into the affair simultaneously. He said Israel fears U.S. investigators may insist, as they did in the case of Israeli spy Jonathan Pollard, upon access to documents and to government officials and private arms dealers reportedly implicated in the chain of events that has led to the Reagan administration's major foreign policy crisis.

The one-paragraph Israeli statement this morning followed a two-hour emergency session among Peres, Prime Minister Yitzhak Shamir and Defense Minister Yitzhak Rabin. Peres confirmed that during that meeting he telephoned both Meese and Secretary of State George P. Shultz from Shamir's office to inform them of Israel's denial that it aided the contras.

Peres told the Knesset that Meese welcomed the statement and that Shultz gave him no indication that relations between the United States and Israel had been damaged. Other sources said the phone calls to both men had been brief.

The statement left many questions, which Israeli officials refused to answer. Among them was why Israel made at least two shipments of U.S. arms to Iran in 1985 before President Reagan authorized the sales by signing a waiver of the U.S. embargo on weapons sales to Tehran. Israel has said all shipments were "authorized," but has refused to explain by whom or to reconcile the discrepancy between its statement and Meese's contention to the contrary.

It is also unclear who set a price for the arms to Tehran and who set up and controlled the Swiss bank accounts into which profits from the sales were chan-

neled. Conflicting reports here have alleged that either the CIA or the Mossad, its Israeli counterpart, was responsible.

Peres and Rabin lead the left-leaning Labor party and Shamir heads the right-wing Likud bloc. The rival political groups share power in Israel's national-unity government and the three leaders have formed an inner Cabinet that determines policy on sensitive security issues. Sources have said the three men approved in the summer of 1985 a secret approach to the White House in which Israel volunteered to serve as a conduit in a deal to exchange U.S. arms for hostages held in Lebanon by Shiite Moslems under Iranian influence.

Because the leaders of both major blocs were involved, few analysts here believe the exploding controversy could topple the government or lead to departure of senior figures similar to yesterday's resignation of national security advisor John Poindexter or the firing of his aide, Lt. Col. Oliver North.

But sources indicated that one likely candidate for dismissal was North's Israeli interlocutor, Amiram Nir, who is counterterrorism adviser to the prime minister and formerly a top aide to Peres.

Nir took control of the Iran connection sometime in the second half of 1985 from Yaacov Nimrodi and Al Schwimmer, two Israeli arms merchants who received the first overture from Iran indicating an interest in dealing secretly with Washington, sources said. One said Nir was inadvertently tipped to the operation at a meeting with Poindexter, who was unaware that Nir had been excluded from the closely held dealings.

Some sources contend it was the relatively inexperienced Nir who let the operation get out of control. Others have accused Nimrodi of setting up the deal and overstating the potential gains in order to promote his own arms sales to Iran. But no source here has accused either man of setting up the money flow to the contras. Both men have refused to comment.

Although Shamir, Rabin and Peres all bear responsibility for Israel's role, only Peres appeared before the Knesset today to answer allegations by leftist minority parties, four of which filed motions of no confidence in the government. He sat alone, with no member of the Cabinet joining him until late in the session, while opponents fired a withering barrage of allegations and questions about Israel's role in the affair.

"What haven't you said and how haven't you lied?" asked Yossi Sarid of the Citizens Rights Movement, who accused Peres of improperly circumventing both the Cabinet and the Knesset in the secret dealings and aiding a terrorist state in Iran. "We must not get involved in Washington intrigues," he added, "because we are playing with fire."

Sarid said the affair reminded him of Israel's ill-fated 1982 invasion of Lebanon, "because it's a matter of going from adventure to adventure to adventure."

Another critic, Mordechai Virshubski of the Shinui party, said Israel had "acted like a banana republic or even worse." He and others called for a government commission of inquiry.

---

### *"The money never passed through Israel"*

— Israeli Foreign Minister Shimon Peres

Peres, who with the government's solid Knesset majority could have ignored the attacks, instead went on the offensive, calling his critics "slanderers" and "liars," and branding a Communist opponent "a Soviet agent."

Noting that the United States had assisted Israel in rescuing Ethiopian Jews from potential starvation, Peres demanded of his critics: "We're allowed to ask the United States to help save the Ethiopian Jews, and they are not allowed to ask our help in something else? I have to be embarrassed because I helped the United States? . . . I don't ask forgiveness for anything. We took our decisions on a moral basis."

A senior official later contended Peres had appeared alone because he wanted to be the one to defend policies undertaken during his premiership. As for the leadership trioka, the official said, "they are working together very closely without political undertones."

After Peres' response, one of the no-confidence motions was struck from the agenda and three others were sent to a committee from which they are not expected to emerge.